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NAZI WAR CRIMES DISCLOSURE ACT
DATE 2006

MEMORANDUM OF CONVERSATION

DATE: September 30, 1983

SUBJECT: ACO; the Venezuelan Economy

PARTICIPANTS: Peter De Haydu, Vice President of ACO

Arlen R. Wilson, Principal Officer, AmConsulate Maracaibo

PLACE: A Maracaibo Restaurant

DISTRIBUTION: AMB EXATT USIS ARA/AND/V
DCM ECON BPAO INR/B/Venezuela
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I lunched with Peter De Haydu, Vice President (and Western Area Chief) of ACO September 30. ACO (no acronym) is a large Venezuelan holding company owned 40 percent by Aluminum Company of America (ALCOA). It is the largest Ford distributor in Venezuela, has large numbers of General Motors distributors and is the Venezuelan distributor for such American companies as John Deere and Barber-Green. De Haydu was born in Maracaibo of Hungarian parents (now permanent residents of the U.S.). He is U.S. educated and came to ACO from Dillon (Dillon has close ties with ALOCA and ACO) and expects eventually to return to that company. He has an American citizen wife and son.

Recent Decree Favorable to ACO

De Haydu was pleased with the recent GOV decree on foreign private debt. Though he realized that the decree did not satisfy the needs of many other companies, ACO's Board of Directors, after studying the document, believed that almost all of the company's \$82 million U.S. debt could be paid with preferential dollars. The directors reached that conclusion because the company's debt was bank-financed rather than being owed to its industrial and commercial suppliers. Therefore, it appears to ACO that the GOV's announced decision to allow preferential dollars for bank debt (but not commercial debt) means ACO will get the money.

ACO's Business Greatly Reduced

Though ACO is still financially healthy, company activity has been greatly reduced since February. De Haydu has recently made the rounds of company businesses in his area (Western Venezuela) to apply strong austerity measures. In several cases he has offered employees the options of serious wage reductions or layoffs; the latter have been consistently chosen. In other cases he has been forced to greatly cut back staff.

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The business downturn is caused by both the unavailability of Bolivares and the lack of foreign exchange for importation. RECADI approval of foreign exchange applications is no guarantee that the Central Bank will authorize foreign exchange.

No Significant Economic Improvement for a Year

De Haydu shares the view of other Zulia businessmen that there will be no significant economic improvement for at least a year. Current GOV policies designed to ameliorate the impact of the current economic problem on the Venezuelan voter will obviously worsen economic conditions. There is no prospect that the new government (almost certain to be ADECO) will be able to organize itself to address the problems for six months. And, noted De Haydu, there is no evidence that ADECO candidate Lusinchi is capable of leading the development of appropriate recovery policies.

Possible Civil Disorder

De Haydu concluded his observations noting that the continuing economic deterioration, given the likelihood that the GOV will be unable to arrest it soon, could easily lead to significant public disorder.

PO Maracaibo: []:jj
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